

VZCZCXRO4006
RR RUEHPOD
DE RUEWCSF #1116 0940854
ZNR UUUUU ZZH
BT
UNCLAS SVC

SIPDIS
QQQ
ZUI RUEHPOD0094 0940910
MESSAGE REJECTED - CONTAINS UNRECOGNIZED ORIGINATOR
-- ERRORED MESSAGE FOLLOWS --
RAAUZYUW RUEHPOD0094 0940910-UUUU--RHMCSUU.
ZNR UUUUU ZZH
R 040910Z APR 07
FM AMEMBASSY PODGORICA
TO RUEHC/SECSTATE WASHDC
INFO RUFOADA/JAC MOLESWORTH RAF MOLESWORTH UK
EUROPEAN POLITICAL COLLECTIVE
RUEHPOD/AMEMBASSY PODGORICA
B T

UNCLAS SECTION 01 OF 02 PODGORICA 000094

SIPDIS

SIPDIS

DEPARTMENT ALSO FOR INR/B

E.O. 12958: N/A

TAGS: ECON EMIN ENRG ETRD SOCI PGOV PINR MW
SUBJECT: MONTENEGRO'S NORTHERNMOST CITY - PLJEVLJA: COAL, ELECTRICITY
AT CENTER OF ECONOMIC DEVELOPMENT

REF: A. A) 07 PODGORICA 24

1B. B) 05 BELGRADE 2277
1C. C) 04 BELGRADE 2349

PODGORICA 00000094 001.3 OF 002

11. SUMMARY: PLJEVLJA IS THE THIRD LARGEST ADMINISTRATIVE JURISDICTION (MUNICIPALITY) IN MONTENEGRO. IT IS HOME TO MANY OF THE COUNTRY'S NATURAL RESOURCES AND PRODUCER OF ALMOST HALF OF THE NATIONS ELECTRICITY. YET A VISIT TO THIS DOWN AT THE HEELS NORTHERN CITY OFFERS A SHARP CONTRAST TO DEVELOPMENT ON MONTENEGRO'S ADRIATIC COAST. THE CHARGE VISITED IN FEBRUARY AND MET WITH MAYOR FILIP VUKOVIC (DPS), THE LEADER OF THE LOCAL MUSLIM COMMUNITY, VISITED CULTURAL SITES, AN AID FINANCED ECONOMIC DEVELOPMENT PROJECT AND MET WITH TEENAGERS PARTICIPATING IN AN EMBASSY FUNDED YOUTH PARLIAMENT. END SUMMARY

12. LOCATED ONLY 110 MILES FROM THE CAPITAL, THE DRIVE OVER NARROW MOUNTAIN ROADS REQUIRES THREE HOURS, A GOOD VEHICLE AND DRIVER, AND PASSENGERS WITH STEADY NERVES. THE SCENERY IS MAGNIFICENT AS ONE PASSES THROUGH A NARROW KARST GORGE AND DOES HAIRPIN TURNS IN HIGH ALPINE MEADOW, CROSSES A DRAMATIC BRIDGE OVER THE TARA RIVER AND COVERS A PATCH OF UPLAND MOOR BEFORE DESCENDING TO BE GREETED BY VAST PLUMES OF SMOKE FROM THE POWER PLANT AT THE ENTRANCE TO PLJEVLJA, A CITY OF SOME 38,000.

13. THE COAL FIRED POWER PLANT PROVIDES BETWEEN 45-50 PERCENT OF MONTENEGRO'S ELECTRICITY GENERATION - ABOUT 1,150 GWH OUT OF 2,520 GWH IN 2006, COMPARED TO OVERALL DEMAND OF 4,600 GWH. IT USES APPROXIMATELY A MILLION TONS OF COAL A YEAR. THE MAYOR, FORMER MANAGER OF THE COAL COMPANY, PUTS LOCAL RESERVES AT 177 MILLION TONS. THE PLANT HAS BEEN OFFERED FOR PRIVATIZATION AND IT IS WIDELY EXPECTED TO BE SOLD TO A RUSSIAN INVESTOR, THE OWNER OF KAP, THE LOCAL ALUMINUM SMELTER (SEE 07 PODGORICA 24, 05 BELGRADE 2277 FOR MORE DETAIL) WHO IS ANXIOUS TO SECURE ENERGY SUPPLIES FOR THE FUTURE, ESPECIALLY AFTER THE DEAL FOR SUBSIDIZED POWER TO KAP EXPIRES IN 2009. THE CURRENT POLITICAL

ENVIRONMENT WOULD MAKE AN EXTENSION OF THE SUBSIDY VERY DIFFICULT. THE ONLY OTHER BID CAME FROM A CZECH COMPANY AND WAS REPORTEDLY VERY LOW. WESTERN EUROPEAN DIPLOMATS IN PODGORICA HAVE BEEN CRITICAL OF THE GOVERNMENT'S DECISION TO SELL THE POWER PLANT ON A STAND ALONE BASIS, RATHER THAN OFFERING THE PLANT AND GRID AS A LARGER PACKAGE MORE APPEALING TO THEIR POTENTIAL INVESTORS. THE PRIVATIZATION DEAL ALSO INCLUDES THE GOVERNMENT OWNED (31 PERCENT) SHARE OF THE COAL MINE. THE MAYOR IS UPBEAT ABOUT THE PRIVATIZATION SAYING THAT THE CONTRACT WILL REQUIRE THE NEW OWNER TO INCREASE PRODUCTION IN THE COAL MINE, EXPAND THE EXISTING POWER PLANT, ALMOST DOUBLING ITS PRODUCTION AND CAPTURE STEAM AND GASES CURRENTLY EMITTED AND USE THEM FOR CO-GENERATION. THE POLLUTION WHICH CURRENTLY PLAGUES PLJEVLJA IS FAR MORE ATTRIBUTABLE, ACCORDING TO THE MAYOR, TO TWO OLD HEATING PLANTS IN THE CITY THAN TO THE POWER PLANT AND WITH COGENERATION THE CITY WILL BE FAR BETTER OFF. THE MAYOR CLAIMS THAT THE BUYER WILL NEED TO MEET EU ENVIRONMENTAL STANDARDS AND HE IS LOOKING FOR ASSISTANCE IN MONITORING AIR POLLUTION FOR AT LEAST THE FIRST THREE YEARS AFTER THE SALE IN ORDER TO ENSURE ADHERENCE TO CONTRACT COMMITMENTS. SINCE THE FEBRUARY VISIT THE PRIVATIZATION OF THE POWER PLANT HAS STALLED. ACCORDING TO SOME SOURCES, THE SOCIAL DEMOCRATIC PARTY (SDP), JUNIOR MEMBER OF THE GOVERNING COALITION HAS THREATENED TO WITHDRAW ITS SUPPORT FROM THE GOVERNMENT IF THE DEAL GOES THROUGH - TO ANY BUYER. THAT WOULD LEAVE THE MAIN RULING PARTY, THE DEMOCRATIC PARTY OF SOCIALISTS (DPS), ISOLATED ON THE QUESTION OF PRIVATIZING THE ELECTRICITY INDUSTRY, AS THE OPPOSITION PARTIES HAVE LONG BEEN ANTAGONISTIC TO THE PROPOSAL.

¶4. THE MAYOR MENTIONED A NUMBER OF OTHER COMPLETED PRIVATIZATIONS. THE BANKRUPT AND INDEBTED LEAD AND ZINC MINES WERE SOLD OFF TO SLOVENIAN INVESTOR, GRADIR, AND, IN A BIT OF HYPERBOLE, HE SAYS THEY ARE EXPECTED TO HAVE A PRODUCTION VALUED AT 100 MILLION EUROS WITHIN A YEAR. A WOOD PROCESSING COMPANY SOLD TO A LOCAL INVESTOR, VEKTRA GROUP, WAS IN VISIBLE OPERATION. THE MAYOR SAYS THE MUNICIPALITY IS HOME TO 65 PERCENT OF MONTENEGRO'S USABLE FORESTS AND THE WOOD PROCESSING COMPANY PLANS TO REINTRODUCE THE MANUFACTURE OF SMALL, PRE-FABRICATED WOODEN COTTAGES.

¶5. AFTER ONLY TWO MONTHS IN OFFICE, HAVING WON IN A RUNOFF ELECTION THAT BROUGHT THE MUNICIPALITY BACK INTO GOVERNMENT FOLD AFTER YEARS AS AN OPPOSITION STRONGHOLD, THE MAYOR IS OPTIMISTIC ABOUT THE CITY'S FUTURE. HE WAS PROUD TO INTRODUCE HIS ASSISTANT AND CAMPAIGN MANAGER AS SOMEONE WHO HAD LEARNED "AMERICAN METHODS" HAVING WORKED SEVERAL YEARS FOR A USAID PROJECT IMPLEMENTER. IT TURNED OUT THAT THE CHARGE WAS HIS FIRST

B T
#0094
N

-- END OF ERRORED MESSAGE --

PODGORICA 00000094 002.3 OF 002

DIPLOMATIC VISITOR. DURING THE COURSE OF THE DAY IN WHICH HE INSISTED ON PARTICIPATING IN ALL EVENTS, HE ADMITTED BEING STUNNED AND PLEASED THAT THE AMERICAN CHARGE HAD COME TO CALL, CONFIDING THAT HE MIGHT HAVE EXPECTED THE BULGARIAN OR MACEDONIAN, BUT NOT THE AMERICAN.

¶6. THE MAYOR WHO HOLDS A DOCTORATE FROM THE UNIVERSITY OF BELGRADE IN MINING ENGINEERING AND WAS MANAGER OF THE COAL MINING COMPANY BEFORE BEING ELECTED SPOKE OF HIS PLANS TO GENERATE ECONOMIC OPPORTUNITIES IN THE MUNICIPALITY. HE IS LOOKING INTO REOPENING A CEMENT PLANT AND ATTRACTING INVESTORS TO EXPLOIT KAOLIN DEPOSITS AND DEVELOP HYDRO POWER PRODUCTION THROUGH A SERIES MID-SIZE PROJECTS DESIGNED TO MINIMIZE ENVIRONMENTAL IMPACT. NOTE; A PROPOSAL 3 YEARS AGO TO BUILD A DAM ON THE TARA RIVER, WHICH FLOWS THROUGH A CANYON REPUTED TO BE THE SECOND DEEPEST AFTER THE GRAND CANYON WAS DEFEATED IN ONE OF THE FIRST SUCCESSES FOR MONTENEGRO'S NGO COMMUNITY. (SEE 04)

BELGRADE 2349) END NOTE. ALL OF THE MAYOR'S DEVELOPMENT SCHEMES HAVE ONE GOAL, TO STOP THE MUNICIPALITY'S DECLINE IN POPULATION. THE MAYOR BELIEVES HE HAS AGREEMENT WITH THE UNIVERSITY OF PODGORICA TO OPEN AN INFORMATICS BRANCH THIS AUTUMN TO PROVIDE OPPORTUNITIES IN PARTICULAR FOR HIS YOUNGER POPULATION.

17. THE HUSSEIN PASHA MOSQUE BUILT IN THE 16TH CENTURY IS CURRENTLY UNDERGOING RESTORATION AT THE CAREFUL DIRECTION OF THE STATE INSTITUTE FOR THE PROTECTION OF CULTURAL MONUMENTS. THE MOSQUE WITH ITS SOARING AND EXQUISITELY PAINTED INTERIOR DOME IS CONSIDERED TO BE THE FINEST IN THE BALKANS. THE ELDERLY LEADER OF THE MUSLIM COMMUNITY AND THE YOUNG IMAN WERE ON HAND WHEN THE CHARGE VISITED THE MOSQUE. TODAY ONLY ABOUT 17 PERCENT OF THE CITY'S POPULATION IS MUSLIM, BUT THE MOSQUE REMAINS A REMINDER OF THE CITY'S PAST AS AN IMPORTANT TOWN OF THE OTTOMAN EMPIRE (OF WHICH IT WAS A PART UNTIL 1908). THE MAYOR'S INSISTENCE ON BALANCE ENSURED A VISIT TO THE RECENTLY COMPLETELY RESTORED ORTHODOX MONASTERY OF THE HOLY TRINITY WHICH DATES FROM THE SAME PERIOD AND IS NOTED FOR ITS RICH TREASURY.

18. A LOCAL HONEY PRODUCERS ASSOCIATION, WITH ASSISTANCE FROM USAID, IS PACKAGING AND MARKETING HONEY. THE ASSOCIATION HAS ALSO DEVELOPED AN EDUCATION PROGRAM TO IMPROVE THE PRACTICES OF LOCAL BEE KEEPERS. WHILE THE REGION IS SAID TO PRODUCE ABOUT 124 TONS OF HONEY A YEAR MUCH OF IT SOLD RAW IN LOCAL OPEN AIR MARKETS. THE COOPERATIVE IS CONCENTRATING ON A HIGHER QUALITY PRODUCT. WHILE THE ATTRACTIVELY PACKAGED INDIVIDUAL PORTIONS OF HONEY WOULD APPEAR TO BE A PERFECT PRODUCT FOR TOURIST HOTELS ON THE COAST, THE CO-OP IS STILL GRAPPLING WITH MARKETING AND TRANSPORT ISSUES.

19. A LOCAL TECHNICAL HIGH SCHOOL HOSTS A YOUTH PARLIAMENT FUNDED BY THE EMBASSY'S PUBLIC DIPLOMACY SECTION. THE STUDENTS AGED 16-19 WERE ENTHUSIASTIC AS THEY TOLD THE CHARGE ABOUT THE PROCESS OF ORGANIZING ELECTIONS AT THEIR SCHOOL AND ABOUT THE VARIOUS PROJECTS THEY HOPED TO IMPLEMENT. THE PROJECT, DESIGNED TO HELP THEM LEARN ABOUT POLITICAL PROCESSES AND ACQUAINT THEM WITH HUMAN AND CIVIC RIGHTS, IS CLEARLY EXPANDING THEIR HORIZONS.

110. COMMENT: THE MAYORS ASSISTANT EXPRESSED THE VIEW THAT PLJEVLJA HAD MUCH UNTAPPED TOURISM POTENTIAL HIGHLIGHTING A VIEW COMMON IN MONTENEGRO, TOURISM WILL BE THE COUNTRY'S SALVATION. THE MOSQUE AND THE MONASTERY ARE ATTRACTIONS, AS IS MUCH OF THE SURROUNDING COUNTRYSIDE, BUT ABSENT IMPROVED ROADS AND ACCOMMODATION, THE MUNICIPALITY WILL BE HARD PRESSED TO BECOME A TOURISM DESTINATION. YET FOR AN AREA LONG A STRONGHOLD OF SERBIAN NATIONALISM AND IGNORED BY POLITICIANS, DEVELOPMENT IS IMPORTANT TO A GOVERNMENT WHICH NEEDS TO SHOW ITSELF AS PROMOTING THE INTERESTS OF ALL THE COUNTRY'S INHABITANTS. THE MAYOR'S FOCUS ON EDUCATION AND INDUSTRIAL ACTIVITY MAY OFFER THE MOST PROMISING PATH. END COMMENT.

BARNES

B T

#0094

N

-- END OF ERRORED MESSAGE --